

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Grand Ledge Area Emergency Services Author		County Eaton
Audit Date 6/30/05	Opinion Date 10/19/05	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Maner, Costerisan & Ellis, P.C.			
Street Address 544 Cherbourg Drive, Suite 200		City Lansing	State MI
Accountant Signature <i>Brady Duma</i>		ZIP 48917	Date 11-28-05

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**Maner,
Costerisan
& Ellis, P.C.**
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Floyd L. Costerisan
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
State of Michigan

October 19, 2005

We have audited the accompanying financial statements of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, Component unit of the City of Grand Ledge, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Grand Ledge Area Emergency Services Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iv through xi and page 15, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Maner, Costerisan & Ellis, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Ledge Area Emergency Services Authority (the Authority), we offer readers of the Grand Ledge Area Emergency Services Authority's financial statements this narrative overview and analysis of the financial activities of the Grand Ledge Area Emergency Services Authority for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$381,608 (net assets). Of this amount, \$119,312 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$77,728 dollars.
- As of the close of the current fiscal year, the Authority's governmental fund reported ending fund balance of \$179,347, an decrease of \$11,914.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$179,347, or 17 percent of total general fund expenditures.
- The Authority's total debt increased \$171,968. The key factor in this increase was the borrowing for the purchase of two new ambulances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's general fund budget on page 13.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Authority, assets exceeded liabilities by \$381,608 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (68 percent) reflects its investment in capital assets (e.g., furniture and equipment, apparatus, and technology), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Grand Ledge Area Emergency Service Authority

	Governmental activities	
	2005	2004
Current and other assets	\$ 276,459	\$ 269,798
Capital assets	809,397	693,541
Total assets	1,085,856	963,339
Long-term liabilities outstanding	502,227	343,562
Other liabilities	202,021	160,441
Total liabilities	704,248	504,003
Net assets:		
Invested in capital assets, net of related debt	262,296	303,481
Unrestricted	119,312	155,855
Total net assets	\$ 381,608	\$ 459,336

The unrestricted net assets (\$119,312) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net assets for its governmental activities.

The government's net assets decreased by \$77,728 during the current fiscal year. The majority of this decrease represents the degree in which increases in ongoing expenses have outpaced similar increases in ongoing revenues.

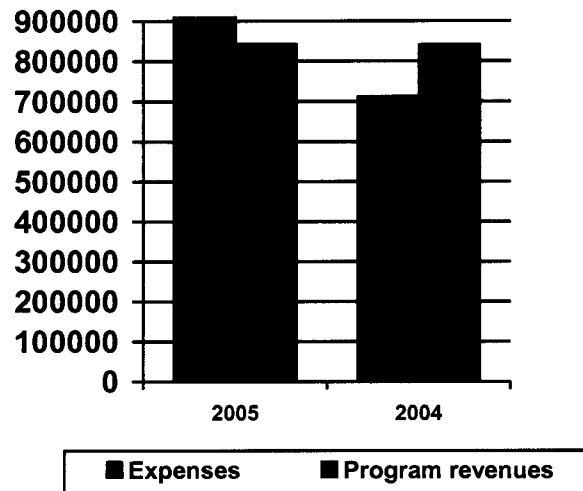
Governmental activities. Governmental activities decreased the Authority's net assets by \$77,728, thereby the governmental activities accounted for 100% of the total decline in the net assets of the Authority. Key elements of this increase are as follows:

Grand Ledge Area Emergency Services Authority's
Changes in Net Assets

	Governmental activities	
	2005	2004
Revenues:		
Program revenues:		
Fire fund	\$ 741,341	\$ 742,776
Incident billings	18,000	10,750
Ambulance billings	82,709	
Federal grants		88,513
General revenues:		
Investment earnings	1,137	986
Other	5,218	945
Total revenues	<u>848,405</u>	<u>843,970</u>
Expenses:		
Public safety including depreciation of \$103,627 and \$89,641 for 2005 and 2004, respectively	899,939	693,774
Debt service	<u>26,194</u>	<u>18,085</u>
Total expenses	<u>926,133</u>	<u>711,859</u>
Increase (Decrease) in net assets	(77,728)	132,111
Net assets, beginning of year	<u>459,336</u>	<u>327,225</u>
Net assets, end of year	<u>\$ 381,608</u>	<u>\$ 459,336</u>

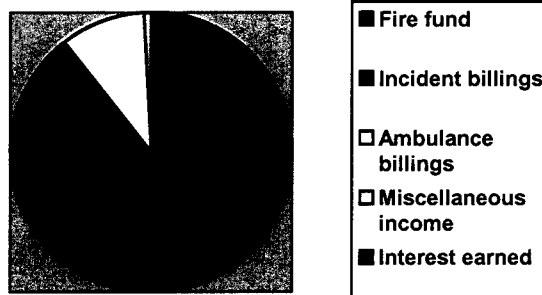
- Program revenues stayed consistent during the year. Most of this consistency is due to the ambulance billings taking the place of the federal grants from prior year as well as an increase in incident billings.
- Overall government activities revenue is up \$4,435 from prior year.
- Expenses for governmental activities went from \$711,859 to \$926,133, an increase of \$214,274. Majority of the increase is due to the paramedics needed to provide the ambulance service that is now offered in the current year and the contract for ambulance billings.

Expenses and Program Revenues – Governmental Activities

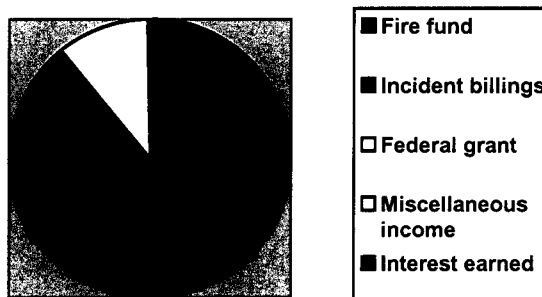


Revenues by Source – Governmental Activities

2005 Total Revenues = \$848,405



2004 Total Revenues = \$843,970



Financial Analysis of the Government's Funds

As noted earlier, the Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Authority's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental fund reported combined ending fund balance of \$179,347, an decrease of \$11,914. Approximately three quarters of this total amount (\$130,030) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is designated to indicate that it is not available for new spending because it has already been committed 1) to prepaid insurance (\$1,482) or 2) for compensated absences (\$47,835).

The general fund is the chief and only operating fund of the Authority. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$130,030, while total fund balance reached \$179,347. As a measure of the general fund's liquidity, it may be useful to compare both unreserved/undesignated fund balance and total fund balance to total fund expenditures. Unreserved/undesignated fund balance represents 12 percent of total general fund expenditures, while total fund balance represents 17 percent of that same amount.

The fund balance of the Authority's general fund decreased by \$11,914 during fiscal year 2005. Key factors in this decline are as follows:

The Authority budgeted a deficit of approximately \$41,000 and the actual loss was only \$11,914. The limiting of the loss was due to tight budgetary and expenditure controls.

General Fund Budgetary Highlights

- There were no significant differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$809,397 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, apparatus, and technology. The total increase in the Authority's investment in capital assets for the current fiscal year was 17 percent.

Major capital asset events during the current fiscal year included the following:

- Two new ambulances

Grand Ledge Area Emergency Services Authority's Capital Assets
(net of depreciation)

	Governmental activities	
	2005	2004
Furniture and equipment	\$ 113,423	\$ 142,858
Apparatus	664,410	506,293
Technology	31,564	44,390
	<u>\$ 809,397</u>	<u>\$ 693,541</u>

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$594,936. This represents compensated absences earned but not used as of year end, as well as installment notes issued to purchase apparatus equipment.

Grand Ledge Area Emergency Services Authority's Outstanding Debt

	Governmental activities	
	2004	2004
Installment notes	\$ 327,101	\$ 390,060
Compensated absences	47,835	32,908
Capital lease	220,000	
	<u>\$ 594,936</u>	<u>\$ 422,968</u>

The Authority's total debt increased by \$171,968 (41 percent) during the current fiscal year. The key factor in this increase was borrowing for the purchase of two new ambulances.

Additional information on the Authority's long-term debt can be found in Note 5 and Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

Grand Ledge Area Emergency Services Authority's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Authority has a conservative and financially prudent budget for the fiscal year 2006 that will promote several of the Authority's activities and programs.

It is anticipated that the Authority board will be working over the next few years to promote the Authority and the need for a new facility. It is the wish of the Authority board to propose a millage levy for the construction and operation of a new Authority by the end of 2006.

In November 2004, the Authority successfully passed a millage of 3 mills for three years.

Requests for Information

This financial report is designed to provide a general overview of the Grand Ledge Area Emergency Services Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief's Office, 500 N. Clinton, Grand Ledge, Michigan 48837.

BASIC FINANCIAL STATEMENTS

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2005

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 192,642	\$.	\$ 192,642
Funds in escrow	9,717		9,717
Accounts receivable (less allowance for doubtful accounts of \$3,000)	72,618		72,618
Prepaid expenses	1,482		1,482
TOTAL CURRENT ASSETS	276,459		276,459
CAPITAL ASSETS, net of accumulated depreciation		809,397	809,397
TOTAL ASSETS	\$ 276,459	809,397	1,085,856
CURRENT LIABILITIES:			
Accounts payable	\$ 5,351	\$.	\$ 5,351
Accrued salaries and related items	16,412		16,412
Accrued interest on long-term debt		12,200	12,200
Due to other governmental units	32,250		32,250
Deferred revenue	43,099		43,099
Current portion of capital lease		26,308	26,308
Current portion of long-term debt		53,726	53,726
Current portion of compensated absences		12,675	12,675
TOTAL CURRENT LIABILITIES	97,112	104,909	202,021
NONCURRENT LIABILITIES:			
Capital lease, less current portion		193,692	193,692
Long-term debt, less current portion		273,375	273,375
Compensated absences, less current portion		35,160	35,160
TOTAL NONCURRENT LIABILITIES		502,227	502,227
TOTAL LIABILITIES	97,112	607,136	704,248
FUND BALANCE/NET ASSETS:			
Invested in capital assets net of related debt		262,296	262,296
Unrestricted	179,347	(60,035)	119,312
TOTAL FUND BALANCE/NET ASSETS	179,347	\$ 202,261	\$ 381,608
TOTAL LIABILITIES AND FUND BALANCE	\$ 276,459		

(1) Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

(2) Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

(3) Long-term debt obligations and capital leases are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

(4) Interest expense is recorded when paid and not when it is incurred and thus is not reported under the modified accrual basis of accounting.

See notes to financial statements.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

	Statement of revenues, expenditures and changes in fund balance	Statement of activities
	general fund modified accrual basis	Adjustments
REVENUES:		
Fire fund	\$ 741,341	\$ 741,341
Incident billings	18,000	18,000
Ambulance billings	82,709	82,709
Miscellaneous income	5,218	5,218
Interest earned	1,137	1,137
Total revenues	848,405	848,405
EXPENDITURES:		
Current:		
Public safety:		
Salaries and employee benefits	572,132	14,927 (1) 587,059
Office supplies	3,030	3,030
Operating supplies and expenditures	26,655	26,655
Professional services	95,242	95,242
Training and departmental programs	10,206	10,206
Insurance	18,819	18,819
Rent and utilities	29,359	29,359
Building maintenance	4,163	4,163
Incident billings reimbursement	18,000	18,000
Miscellaneous	3,248	3,248
Depreciation		103,627 (2) 103,627
Capital outlay	220,014	(219,483) (2) 531

EXPENDITURES (Concluded):

Debt service:

Principal retirement
Interest payments

\$	62,959	\$	(62,959)	(4) \$
	16,492		9,702	(3) 26,194

Total expenditures

1,080,319	(154,186)	926,133
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DEFICIENCY OF REVENUES OVER EXPENDITURES

(231,914)	154,186	(77,728)
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OTHER FINANCING SOURCES:

Proceeds from capital lease

220,000	(220,000)	(4)
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Net change in fund balance/net assets

(11,914)	(65,814)	(77,728)
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FUND BALANCE/NET ASSETS, beginning of year

191,261	268,075	459,336
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FUND BALANCE/NET ASSETS, end of year

\$ 179,347	\$ 202,261	\$ 381,608
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(1) Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

(2) Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

(3) Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in governmental funds until it is paid. This is the change in accrued interest.

(4) Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

See notes to financial statements.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Grand Ledge Area Emergency Services Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Grand Ledge Area Emergency Service Authority (the "Authority") was incorporated under the provisions of Act 57 of the Michigan Public Acts of 1988 effective October 1, 2001. The Authority provides fire protection and rescue services within the boundaries of the incorporating municipalities. The incorporating municipalities of the Authority are the City of Grand Ledge, and the Townships of Oneida, located in Eaton County, Michigan. A five-member board serves the Authority, three members appointed by the City of Grand Ledge and two by the Township of Oneida. The Authority relies on funding for operations from the City of Grand Ledge and the Township of Oneida. The Authority is a component unit of the City of Grand Ledge and is reported as such in the City of Grand Ledge Annual Financial Report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Authority utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Authority maintains only one fund, the general fund, which is accounted for as a governmental fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The Authority reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intend to hold the investment until maturity.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Cash and Investments (Concluded)

State statutes authorized the Authority to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Authority's retirement system investments are held in trust by the investment fiduciary. Michigan Compiled Laws, Section 38.1132, authorizes the Authority retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's estimates an allowance for doubtful accounts has been estimated at \$3,000 for 2005. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

3. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Concluded)

4. Capital Assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Authority's capitalization policy is to capitalize individual amounts exceeding \$1,000.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5-7
Apparatus	15
Technology	5

5. Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. Use of Estimate

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

The Budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to February 15th of each year, a proposed budget is submitted to the City of Grand Ledge Council and Oneida Township Board, for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to February 15th, the budget is legally enacted through passage of a resolution by the Authority Board before submission to the governmental entities.
4. Any revisions of the budget must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Authority Board during the fiscal year. The budget was not amended.
7. Expenditures may not exceed budget at the function level.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2005, the Authority had no investments as defined by generally accepted accounting principles.

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices. As of June 30, 2005, the Authority had no investments.

Concentration of credit risk. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2005 the Authority had no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2005, \$95,049 of the Authority's bank balance of \$195,049 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority had no investments at June 30, 2005.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2005 were as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Primary government:				
Governmental activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 212,814	\$ 9,200	\$	\$ 222,014
Apparatus	662,400	210,283		872,683
Technology	56,130			56,130
Total capital assets, being depreciated	931,344	219,483		1,150,827
Less accumulated depreciation for:				
Furniture and equipment	69,956	38,635		108,591
Apparatus	156,107	52,166		208,273
Technology	11,740	12,826		24,566
Total accumulated depreciation	237,803	103,627		341,430
Total capital assets, being depreciated, net	\$ 693,541	\$ 115,856	\$	\$ 809,397

Depreciation expense of \$103,627 was all charged to the public safety function.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2005 is as follows:

Loan for the purchase of pumper/tanker fire apparatus, due in annual installments of \$57,080 through November 7, 2011 with an interest rate of 4.76%

\$ 315,919

Loans for the purchase of fire apparatus and equipment due in quarterly installments of \$2,581 and \$3,011 through December 2005 with an interest rate of 0%

11,182

Obligations under contract for compensated absences

327,101

47,835

Total general long-term debt

\$ 374,936

The annual requirements to amortize long-term debt outstanding as of June 30, 2005, including interest of \$55,104 are as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 53,726	\$ 14,538	\$ 68,264
2007	44,592	12,488	57,080
2008	46,740	10,340	57,080
2009	48,991	8,089	57,080
2010	51,350	5,730	57,080
2011-2012	<u>81,702</u>	<u>3,919</u>	<u>85,621</u>
	327,101	55,104	382,205
Compensated absences	<u>47,835</u>		<u>47,835</u>
	<u><u>\$ 374,936</u></u>	<u><u>\$ 55,104</u></u>	<u><u>\$ 430,040</u></u>

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2005:

	<u>Compensated absences</u>	<u>Installment notes</u>	<u>Total</u>
Balance July 1, 2004	\$ 32,908	\$ 390,060	\$ 422,968
Additions	14,927		14,927
Deletions		<u>62,959</u>	<u>62,959</u>
Balance June 30, 2005	47,835	327,101	374,936
Less current portion	<u>12,675</u>	<u>53,726</u>	<u>66,401</u>
Total due after one year	<u>\$ 35,160</u>	<u>\$ 273,375</u>	<u>\$ 308,535</u>

NOTE 6 - LEASES

Operating Lease

The Authority leases their building from the City of Grand Ledge under a noncancellable lease. Total cost for such lease was \$15,000 for the year ended June 30, 2005. The future minimum lease payments for the lease are as follows:

<u>Year ending June 30,</u>	
2006	\$ 15,000
2007	<u>15,000</u>
	<u>\$ 30,000</u>

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL LEASE (Concluded)

Capital Lease

The Authority has entered into a lease agreement in October 2004 as a lessee for financing the acquisition of two new ambulances. This lease agreement qualifies as a capital lease for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease payments for the capital lease are as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 26,308	\$ 12,930	\$ 39,238
2007	27,854	11,383	39,237
2008	29,491	9,746	39,237
2009	31,225	8,013	39,238
2010	33,060	6,178	39,238
2011 - 2012	72,062	6,413	78,475
	\$ 220,000	\$ 54,663	\$ 274,663

NOTE 7 - RELATED PARTY TRANSACTION

The City of Grand Ledge and Oneida Township each have representatives on the board of the Authority. The City contributed approximately 61% of the Authority's operating funds, while the Township contributed approximately 27%. The contributed funds are used to support the day-to-day operations of the Authority. During the fiscal year ending June 30, 2005, the Authority received approximately \$514,000 from the City and \$228,000 from the Township, respectively.

NOTE 8 - PENSION PLAN

Defined Benefit Plan

Plan Description

The Authority participates in the Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS). The MERS was organized pursuant to Act No. 220 of the Public Acts of 1996, as amended, and the Constitution of the State of Michigan. The Authority has no administrative responsibility for the plan. The Municipal Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing Municipal Employee Retirement Systems of Michigan, Lansing, Michigan 48917 or calling (517) 703-9030.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION PLAN (Concluded)

Funding Policy

The plan provides for vesting of benefits after 10 years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the firefighters union are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1% to 2.5% of the member's final average compensation (F.A.C.) up to a maximum of 80% of F.A.C. subject to certain limitations. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The Authority makes employer contributions in accordance with funding requirements determined by MERS' actuary, until such time as the contributions exceed 9% of covered payroll whereon the Authority is directed to make withholdings from salaries and wages of eligible employees and forward these to MERS. The MERS' actuary uses the entry age normal actuarial cost method.

The Authority's pension cost for the fiscal year ending June 30, 2005 was \$33,475. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal actuarial cost method.

The significant actuarial assumptions to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering (a) the nature and mix of current and expected investments; and (b) the basis used to value those assets; (3) projected salary increases are based on 4.5% raises for merit, seniority, and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 34 year period reduced by one year until it reaches 30.

<u>Fiscal year ending</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/2003	\$ 29,155	100%	\$ 80,526
12/31/2004	33,475	100%	108,204

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2005 or any of the prior three years.

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget appropriation</u>	<u>Actual expenditure</u>	<u>Variance</u>
Office supplies	\$ 2,693	\$ 3,030	\$ (337)
Maintenance supplies	2,038	2,273	(235)
Insurance	17,928	18,819	(891)
Telephone	4,000	5,280	(1,280)
Building maintenance	2,862	4,163	(1,301)
Incident billings	8,000	18,000	(10,000)
Professional services	32,885	95,242	(62,357)
Capital outlay	10,412	220,014	(209,602)
Principal retirement	62,955	62,959	(4)
	<u>\$ 143,773</u>	<u>\$ 429,780</u>	<u>\$ (286,007)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Original/ final budget	Actual	Variance with final budget positive (negative)
REVENUES:			
Local sources:			
Fire fund	\$ 740,000	\$ 741,341	\$ 1,341
Incident billings	8,000	18,000	10,000
Ambulance billings	54,550	82,709	28,159
Miscellaneous income	1,080	6,355	5,275
Total revenues	803,630	848,405	44,775

EXPENDITURES:			
Current:			
Salaries and employee benefits:			
Salaries	411,492	405,745	5,747
Fringe benefits	128,621	106,177	22,444
Retirement	34,816	33,475	1,341
Payroll taxes	30,635	26,735	3,900
Office supplies	2,693	3,030	(337)
Operating supplies and expenditures:			
Operating supplies	20,691	13,719	6,972
Gas and oil	6,876	5,554	1,322
Uniforms	3,990	3,976	14
Maintenance supplies	2,038	2,273	(235)
Trash removal	760	661	99
Laundry and dry cleaning	1,000	472	528
Professional services	32,885	95,242	(62,357)
Training and departmental programs:			
Inner-departmental programs	7,700	7,389	311
Training	6,500	2,817	3,683
Insurance	17,928	18,819	(891)

EXPENDITURES (Concluded):

Current (Concluded):

Rent and utilities:

Telephone

Rent

Utilities

Sewer and water storm sewer

Building maintenance

Incident billings reimbursement

Miscellaneous:

Human resource management

Miscellaneous expense

Total current

Capital outlay

Debt service:

Principal retirement

Interest payments

Total debt service

TOTAL EXPENDITURES

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES**OTHER FINANCING SOURCES:**

Proceeds from capital lease

NET CHANGE IN FUND BALANCE**FUND BALANCE:**

Beginning of year

End of year

\$	4,000	\$	5,280	\$	(1,280)
	15,000		15,000		
	9,649		8,209		1,440
	1,000		870		130
	2,862		4,163		(1,301)
	8,000		18,000		(10,000)
	1,600		1,302		298
	3,886		1,946		1,940
	754,622		780,854		(26,232)
	10,412		220,014		(209,602)
	62,955		62,959		(4)
	16,492		16,492		
	79,447		79,451		(4)
	844,481		1,080,319		(235,838)
	(40,851)		(231,914)		(191,063)
			220,000		220,000
\$	(40,851)		(11,914)	\$	28,937

191,261

179,347



**Maner,
Costerisan
& Ellis, P.C.**
Certified Public Accountants

Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 19, 2005

RECEIVED
DEPT. OF TREASURY

DEC 06 2005

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
Grand Ledge, Michigan

LOCAL AUDIT & FINANCE DIV.

In planning and performing our audit of the financial statements of Grand Ledge Area Emergency Services Authority for the period ended June 30, 2005, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated October 19, 2005, on the financial statements of Grand Ledge Area Emergency Services Authority. Numerous comments are repeat comments and should be addressed during the current fiscal year.

REPEAT COMMENTS

Budget Compliance

We observed that actual expenditures for certain expenditure categories exceeded the budgeted amount, in all functional categories for the year. The is not in compliance with the Uniform Budgeting and Accounting Act, PA2 of 1968 as amended (MCL 141.421 et. Seq.) The Authority should monitor the budget variances and amend the budget when necessary to comply with the Budgeting Act .

Improve Budgeting Procedures

At present, the Authority's budgeting procedures provide for the preparation of an annual budget at the beginning of the year based on a projected fixed level of activity. Thus, the current budget may be obsolete due to changes in the estimates of operating data or may become obsolete after several months. For example the budget was never amended for the effects of the federal grant the Authority received this year. It is important to budget for both the revenues and the expenditures of Authority for proper planning and operational purposes. The fundamental purpose of budgetary control is to plan beforehand the most cost-effective operation and then maintain operations according to the plan. Budgets stimulate early identification of operational problems and help ensure that timely decisions are made for resolving the problems. Budgetary control also results in better coordination and control of business efforts and in more effective use of the Authority's resources.

Establish a Fixed Asset Capitalization Policy

We noted that the Authority does not have a set policy for capitalization of fixed assets. Consequently, the treatment of property additions and repairs and maintenance is not consistent. The Company's records reflect immaterial items that have been capitalized. The items require the same amount of record keeping by the Authority regardless of the size of the transaction.

We recommend that management establish a policy whereby all property purchases over \$1,000 and having a useful life of one year or more are capitalized. Purchases costing less than the established amount or having a useful life of less than one year should be expensed, since the cost of maintaining depreciation records for such items would exceed the benefits. The Authority should document the capitalization policy to ensure the policy is consistently followed.

Investment Policy

Currently the Authority has no investments only a savings account. State law requires the Authority to adopt an investment policy prior to investing funds. At June 30, 2004 the Authority had over \$260,000 of cash earning 1%.

The Authority has adopted an investment policy.

CURRENT YEAR COMMENTS

Insurance Coverage

The Authority has various levels of insurance. During the course of our audit, it was determined that the Authority does not have dishonesty coverage. We recommend this be reviewed and at least \$100,000 of coverage, if possible.

Deferred Revenue

Currently the Authority has deferred revenue recorded for fire funds received in excess of required payments. The Authority should reconcile with the City and Township regarding cumulative payments since inception.

Incident Billings

During the June 30, 2006 year the Authority will no longer be directly involved in the billing of the incidents. Amounts that are left in accounts receivable should be evaluated for collectibility and uncollectible amounts should be written off against accounts receivable and the corresponding accounts payable to the City of Grand Ledge or Oneida Charter Township.

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
Grand Ledge, Michigan

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October 19, 2005

Year End Accounting

During the year audited, significant time was spent reconciling accounts, primarily receivables and revenues. These accounts should be reconciled monthly.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Grand Ledge Area Emergency Services Authority, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney, Costeusan & Ellis, P.C.